STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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BULLETIN NO. 9
CHANGES FOR 2009
October 27, 2008

TO: Assessors
Equalization Directors

FROM: State Tax Commission (STC)

RE: **PROCEDURAL CHANGES FOR THE 2009 ASSESSMENT YEAR**

The purpose of this Bulletin to provide information on statutory changes or procedural changes for the 2009 assessment year that Assessor's and Equalization Directors should be aware of.

A. Inflation Rate Used in the 2009 Capped Value Formula.

The inflation rate, expressed as a multiplier, to be used in the 2009 Capped Value formula is 1.044. The 2009 Capped Value Formula is as follows:

2009 CAPPED VALUE = (2008 Taxable Value - LOSSES) X 1.044 + ADDITIONS

The preceding formula does not include 1.05 because the inflation rate multiplier of 1.044 is lower than 1.05.

B. Alternate Start Dates for the July or December Boards of Review.

Governor Jennifer Granholm signed into law Public Act 122 of 2008 on May 8, 2008. This act amends MCL 211.53b to provide that July or December Boards of Review may have an alternate start date. The act requires that the governing body of the City or Township adopt by ordinance or resolution alternate start dates that must conform to the following:

For the July Board, an alternate date during the week of the 3rd Monday in July.

For the December Board, an alternate date during the week of the 2nd Monday in December.

C. Federal Poverty Guidelines Used in the Determination of Poverty Exemptions for 2009.

MCL 211.7u, which deals with poverty exemptions, was significantly altered by PA 390 of 1994 and was further amended by PA 620 of 2002. Please see STC Bulletin No. 5 of 1995 and page 3 of STC Bulletin No. 1 of 2003 for more detailed information.

Local governing bodies are required to adopt guidelines that set income levels for their poverty exemption guidelines and those income levels **shall not be set lower** by a city or township than the federal poverty guidelines updated annually by the U.S. Department of Health and Human Services. This means, for example, that the income level for a household of 3 persons **shall not** be set lower than $17,600 which is the amount shown on the following chart for a family of 3 persons. The income level for a family of 3 persons may be set higher than $17,600.

Following are the federal poverty guidelines for use in setting poverty exemption guidelines for 2009 assessments.

Size of Family Unit	Poverty Guidelines
1	$ 10,400
2	$ 14,000
3	$ 17,600
4	$ 21,200
5	$ 24,800
6	$ 28,400
7	$ 32,000
8	$ 35,600
For each additional person, add	$ 3,600

Note: PA 390 of 1994 states that the poverty exemption guidelines established by the governing body of the local assessing unit shall also include an asset level test. An asset test means the amount of cash, fixed assets or other property that could be used, or converted to cash for use in the payment of property taxes. The asset test should calculate a maximum amount permitted and all other assets above that amount should be considered as available.

D. Multipliers for the Valuation of Free-Standing Communication Towers.

The State Tax Commission has received a number of inquiries, both from the assessing community and from taxpayers, relating to the proper procedures for assessing freestanding communication towers. Accordingly, the Commission has determined that, in addition to providing the valuation multipliers for use in making 2009 assessments, it is appropriate to re-state a number of directives that have been made in previous Bulletins.

The State Tax Commission recommends that, subject to the qualifications stated below, communication towers should valued for the 2009 assessment year using the table of historical (original) cost valuation multipliers set forth in the multiplier table below. These multipliers have been developed in a manner such that they account for the typical depreciation which is expected for a tower of the indicated age and also account for changes in the cost of erecting the tower which have occurred since the time the tower was constructed. On this basis, the multiplier table which is shown below is intended to predict the current true cash value of a tower of the vintage year in which the tower was constructed. An important component in determining the current value of a tower built in a given year is the change in the cost of materials, particularly changes in the cost of steel, between the time of construction and the current Tax Day. Since the table considers both depreciation and changes in construction costs, and since changes in construction cost have not always occurred at a constant rate, the multiplier table does not always evidence a decline in the rate by which the historical cost must be adjusted in order to determine current value. This effect is expected and can be better understood if one remembers that the multiplier table is not a depreciation table and the multipliers are applied to the historic cost of construction, not to the current replacement cost.

When a communication tower is built on land owned by the owner of the tower, the tower is valued and assessed as a real property improvement to the land on which it is located. When a communication tower is built on leased land, the owner is required report the original construction cost of the tower on Section N of its personal property statement, in the same way that it would report any other structure on leased land. Although the construction costs are reported on the personal property statement, a tower on leased land is not assessed on the personal property assessment roll. Instead, the assessor is required to establish a separate real property assessment for a tower located on leased land, using the procedures set forth in State Tax Commission Bulletin 8 of 2002 and State Tax Commission Bulletin 1 of 2003.

Assessors should note several other matters that affect the proper assessment of freestanding communication towers, as follow: Sometimes communication towers are located on land which is exempt because the land is owned by an exempt entity such as a municipality or is otherwise exempt. When this occurs, the tower must be assessed to the tower owner on the real property roll as a structure on leased land. IN ADDITION, the assessor must consider whether the land should also be assessed to the tower owner as provided by MCL 211.181.
There may be situations in which the value of a particular freestanding communication tower is more or less than the figure developed by using this table. This could be due to unusual depreciation and/or obsolescence or an unusual enhancement in value caused by supply and demand factors in a particular area.

The State Tax Commission has developed STC Form 3594 for reporting the costs of freestanding communication towers. This form was developed for the specific purpose of gathering construction cost information for communication towers. The assessor may use this form to gather detailed information regarding the construction costs of communication towers. This cost information can then be used as a basis for valuation by multiplying the historic cost by the appropriate multiplier from the table located below.

State Tax Commission Form 3594 is a real property statement and, as such, the taxpayer is not required to complete and submit the form to the assessor unless the taxpayer is specifically asked to do so. If a communication tower is located on leased land, the owner should already be reporting its original acquisition costs on Section N of the personal property statement (STC Form L-4175). If so, the assessor would only need to send STC Form 3594 if more detailed information regarding costs is needed. The assessor IS NOT REQUIRED TO SEND STC Form 3594 to tower owners each year.

HISTORICAL (ORIGINAL) COST VALUATION MULTIPLIERS FOR USE IN MAKING 2009 ASSESSMENTS OF FREESTANDING COMMUNICATIONS TOWERS

YEAR OF CONSTRUCTION	MULTIPLIER	YEAR OF CONSTRUCTION	MULTIPLIER
2008	0.97	1988	0.96
2007	0.99	1987	0.96
2006	1.01	1986	0.95
2005	1.07	1985	0.93
2004	1.10	1984	0.93
2003	1.10	1983	0.93
2002	1.08	1982	0.93
2001	1.06	1981	0.97
2000	1.06	1980	1.02
1999	1.06	1979	1.11
1998	1.06	1978	1.08
1997	1.04	1977	1.15
1996	1.04	1976	1.22
1995	1.04	1975	1.29
1994	1.03	1974	1.37
1993	1.03	1973	1.45
1992	1.03	1972	1.54
1991	1.02	1971	1.63
1990	0.97	1970	1.73
1989	0.97	1969 and prior	1.83

E. Property Classification

On July 12, 2007 Governor Granholm signed into law Public Act 36 of 2007, the Michigan Business Tax Act (MBTA), which took effect January 1, 2008. Public Acts 37, 38, 39, and 40 of 2007, tie-barred to the MBTA, exempted Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage; and exempted Commercial Personal Property from up to 12 mills of local school district operating millage. The acts <u>did not</u> change the definitions of industrial and commercial personal property contained in MCL 211.34c, which are used to determine the aforementioned exemptions.

The State Tax Commission has had a significant increase in the number of classification appeals and will issue additional guidance on the classification of personal property later in the year or early in 2009.

F. Submission of MCL 211.154 Petitions

The State Tax Commission continues to receive a number of incomplete MCL 211.154 petitions from Assessors and/or Equalization Directors. Assessors and Equalization Directors are reminded that the petitions must be accompanied by all required documentation and must have <u>an original signature of the assessor of record</u>. Failure to provide the required documentation and/or to provide the proper signature will only result in a delay of the processing of the petition and could result in the dismissal of the petition.

G. Foreclosure Sales - Reminder

On August 15, 2007 the State Tax Commission adopted guidelines for Assessors to use for verification for inclusion of foreclosure sales in sales studies. The proper selection of sales for inclusion in these ratio studies is critically important to the development of uniform and accurate assessments. The State Tax Commission has established these guidelines to be used when reviewing sales for sales-ratio studies. The purpose of the guideline is to provide direction when compiling a “desk-reviewed” sales study. Desk-review means determining whether a particular sale will be used in a study based on transfer documents and other information in the office without additional investigation or field inspection. Deviation from the guidelines should be based on investigation of the transaction beyond the normal steps of a desk review process. The recent increase in foreclosures has caused those transactions to have an impact on the real estate market in some parts of the state.

Please see Bulletin 6 of 2007 for detailed information.

H. Single Year Sales Studies - Reminder

On August 15, 2007, the State Tax Commission issued guidelines for use of a single year sales studies. In part, those guidelines indicated:

Single-year sales studies may be considered only when there is significant evidence of a declining market. Evidence may include, but is not limited to:

a. A reduced number of market sales without a reduction in the number of listings
b. An increase in the number of foreclosure sales
c. A loss of major employer(s)
d. A single year sales study ratio higher than the standard 24-month ratio, in combination with items a through c above

The Commission also changed the dates for single-year sales studies: Sales occurring between October 1 of the previous year through September 30 prior to tax day shall be used in the single-year study.

Please see Bulletin 5 of 2007 for more detailed information.